



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 6, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Acting Auditor-Controller

SUBJECT: REVIEW OF CONTROLS OVER COUNTY CREDIT CARDS

Since 2000, County departments have been allowed to issue credit cards to employees through the State CAL-Card Program with approval from the Auditor-Controller. The cards are to be used for emergency purchases, when no other payment options are available or to obtain payment discounts. Departments may also use cards for other purposes with Auditor-Controller approval. Departments are responsible for issuing/administering cards, training employees on card policies, reviewing transactions and paying credit card bills. The County has issued approximately 600 credit cards to employees in 12 departments. Total credit card purchases are approximately \$3.4 million a year.

We reviewed controls over County credit cards in five departments to assess compliance with State/County credit card guidelines. The departments reviewed, with the number of cards issued, are: Internal Services (378), Fire (57), Sheriff's (49), Public Works (25) and Health Services (6). From July 2005 through September 2006, the 515 cardholders in these departments made approximately 19,100 purchases, totaling \$4.1 million.

Summary of Findings

Our review indicates that the departments were generally complying with the credit card program requirements. However, we noted some areas for improvement. Examples of the details of our reviews are listed below.

- Cardholders in four departments made 108 purchases, totaling approximately \$68,700, which should not have been made with credit cards, including meals, tools, books, cellular phones, training/conference registration, recruiting expenses and on-line purchases. Departments need to ensure their employees only use credit cards for approved purchases.
- Cardholders in two departments split seven purchases, totaling approximately \$8,900, to circumvent their card limits. Departments need to ensure employees do not split credit card transactions.
- Four departments did not have adequate receipts for 125 purchases, totaling approximately \$76,700. Cardholders either did not get a receipt, or the receipts did not include all required information (e.g., vendor name, purchase date, cost, item purchased, etc.). Departments need to ensure that staff obtains proper receipts for credit card purchases.
- Thirty-four cards in two departments remained open up to three years after the cardholders had left the departments. In addition, 46 credit cards in four departments were not canceled until an average of one year after the cardholders had left the departments. While we did not identify any inappropriate purchases with these cards, Departments need to immediately cancel credit cards when employees leave the department.
- Approximately 130 credit cards in four departments have not been used for an average of two years. In addition, 22 cardholders in one department had multiple open credit cards. Departments should reevaluate the need for each card every year and cancel unneeded cards.
- Forty-six credit card bills in three departments were paid an average of 27 days late. Departments should ensure they pay credit card bills timely to avoid late fees and interest.

Review of Report

The details of our reviews were included in separate reports previously issued to each of the five departments. Copies of the reports were sent to the Audit Committee Board Deputies. The departments generally agreed with our findings and recommendations; they indicated that some of the questioned transactions were due to employees' lack of understanding of the County's credit card usage policies. They also indicated that they have already addressed some of the issues noted in our reports, including training, and will continue to improve and monitor their controls over County credit cards.

Other departments who have employees with County-issued credit cards should review their card usage and controls to ensure they comply with County guidelines.

Board of Supervisors

June 6, 2008

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Please call me if you have any questions, or your staff may contact Jim Schneiderman at (626) 293-1101.

WLW:MMO:JLS

c: William T Fujioka, Chief Executive Officer
All Department Heads
Audit Committee
Public Information Office